

BACON MEMORIAL DISTRICT LIBRARY

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2004

Auditing Procedures Report

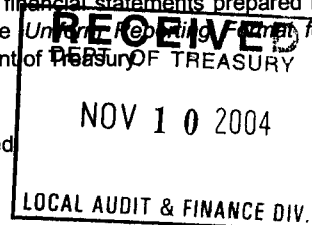
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BACON MEMORIAL DISTRICT LIBRARY	County WAYNE
Audit Date 6/30/04	Opinion Date 9/3/04	Date Accountant Report Submitted to State: 11/2/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting System for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) HUNGERFORD & CO.			
Street Address 13305 REECK ROAD		City SOUTHGATE	State MI
Accountant Signature 		ZIP 48195	Date 11-1-04

BACON MEMORIAL DISTRICT LIBRARY

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A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Bacon Memorial
District Library
Wyandotte, Michigan 48192

We have audited the accompanying financial statements of the governmental activities and each major fund of Bacon Memorial District Library, as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bacon Memorial District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bacon Memorial District Library as of June 30, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2004, on our consideration of Bacon Memorial District Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 through 3 and page 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



September 3, 2004

Bacon Memorial District Library

Management's Discussion and Analysis For The Fiscal Year Ended June 30, 2004

Using this Annual Report

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements* and *required supplemental information*. The basic financial statements include information that presents two different views of the Library.

The General Fund is presented on a modified accrual basis of accounting; a short-term view to tell how the taxpayer's resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full accrual basis to present a long-term view of Bacon Library ("the Library") as a whole. The long-term view uses the accrual accounting basis so that it can measure the cost of providing services during a current year and whether the taxpayers have funded the full cost of providing government services.

The General Fund modified accrual basis financial statements provide detail information about the current financial resources. This is important as it demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The Library's full accrual statements present information about the Library's total economic resources, including long-lived assets and any long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior year:

	June 30,	
	2004	2003
Current assets	\$ 882,367	\$ 805,918
Capital assets	1,287,675	1,342,381
Total Assets	2,170,042	2,148,299
Current liabilities	98,491	47,772
Net Assets		
Invested in capital assets, net of debt	1,287,675	1,342,381
Unrestricted	783,876	758,146
Total net assets	\$ 2,071,551	\$ 2,100,527
Revenue	\$ 641,170	
Property taxes	201,212	
Other		
Total revenue	842,382	
Expenses - Library services	871,358	
Change in net assets	\$ (28,976)	

Bacon Memorial District Library

Management's Discussion and Analysis For The Fiscal Year Ended June 30, 2004

The Library as a Whole

The Library's net assets decreased by \$28,976 this year. The Library's primary source of revenue is from property taxes, which represents 76 percent of total revenue as compared to 77 percent in prior year. Salaries and fringes continue to be a significant expense of the Library, representing 56 percent of the Library's total expenses. Depreciation expense represents 26 percent of the Library's total expenses. Total expenses remained constant between prior year and current year.

The Library's Fund

The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund increased during the current year by \$25,730. The increase exceeded the final amended budget by \$28,264.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in TIFA Shared Revenue and Capital Maintenance Reserve.

The decrease in the budgeted Capital Maintenance Reserve was the result of a delay in the start of the rewiring project in the historic Ford-Bacon house.

The increase in the budgeted amount for TIFA Revenue was the result of the receipt of \$50,000 from the TIFA Board.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$4.6 million invested in building, furniture and equipment, and books and materials. The Library added \$76,093 in new collection items consisting of new books, various audio/visual materials and enhancement of the music collection. The total amount of the collection materials disposed had a cost basis of \$31,603, which had a net book value of \$-0-.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of Bacon Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Janet Cashin at (734) 246-8357.

BACON MEMORIAL DISTRICT LIBRARY

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 792,093
Taxes Receivable	43,592
Accounts Receivable	44,129
Accrued Interest Receivable	<u>2,553</u>
Total Current Assets	<u>882,367</u>
NONCURRENT ASSETS	
Capital Assets	4,634,822
Less: Accumulated Depreciation	<u>(3,347,147)</u>
Total Noncurrent Assets	<u>1,287,675</u>
TOTAL ASSETS	<u>\$ 2,170,042</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 69,744
Accrued Payroll and Retirement	5,971
Accrued Vacation	<u>22,776</u>
Total Current Liabilities	<u>98,491</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,287,675
Unrestricted	<u>783,876</u>
Total Net Assets	<u>2,071,551</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,170,042</u>

See notes to financial statements.

BACON MEMORIAL DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>	<u>GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
FUNCTIONS/PROGRAMS			
Governmental Activities			
District Library	\$ 871,358	\$ 30,042	\$ (841,316)
General Revenues			
Property Taxes			641,170
State Aid			28,020
Single Business Tax			31,441
Penal Fines			44,149
TIFA Shared Revenue			50,000
Interest on Investments			10,150
Miscellaneous			<u>7,410</u>
			<u>812,340</u>
Change in Net Assets			(28,976)
Net Assets, Beginning of Year			<u>2,100,527</u>
Net Assets, End of Year			<u>\$ 2,071,551</u>

See notes to financial statements.

BACON MEMORIAL DISTRICT LIBRARY
BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2004

	<u>GENERAL</u>
ASSETS	
Cash and Cash Equivalents	\$ 792,093
Taxes Receivable	43,592
Accounts Receivable	44,129
Accrued Interest Receivable	<u>2,553</u>
TOTAL ASSETS	<u>\$ 882,367</u>

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts Payable	\$ 69,744
Accrued Payroll and Retirement	5,971
Accrued Vacation	<u>22,776</u>
 Total Liabilities	 98,491
FUND BALANCE	
Unrestricted	<u>783,876</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 882,367</u>

Total Governmental Fund Balances	\$ 783,876
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Amounts reported for governmental activities in the Statement of Net Assets are different because

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital asset is	\$4,634,822	
Accumulated depreciation is	(3,347,147)	<u>1,287,675</u>
 Net assets of governmental activities		 <u>\$ 2,071,551</u>

See notes to financial statements.

BACON MEMORIAL DISTRICT LIBRARY

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>
REVENUE	
Property Taxes	\$ 641,170
State Aid	28,020
Single Business Tax	31,441
Penal Fines	44,149
Library Fines and Fees	30,042
TIFA Shared Revenue	50,000
Interest Income	10,150
Miscellaneous	<u>7,410</u>
Total Revenue	<u>842,382</u>
EXPENDITURES	
Salaries	357,265
Employee Benefits	131,847
Supplies and Materials	100,332
Contracted Services	70,573
Utilities and Telephone	23,292
Business Insurance	13,286
Capital Outlay	14,262
Capital Maintenance Reserve	95,538
Other Expense	<u>10,257</u>
Total Expenditures	<u>816,652</u>
Excess Revenue	25,730
FUND BALANCE, Beginning of Year	<u>758,146</u>
FUND BALANCE, End of Year	<u>\$ 783,876</u>

See notes to financial statements.

BACON MEMORIAL DISTRICT LIBRARY

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2004

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 25,730**

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds reported capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	\$(228,749)	
Capital Outlay	174,043	<u>(54,706)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (28,976)**

See notes to financial statements.

BACON MEMORIAL DISTRICT LIBRARY

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2004

	SECTION 457 RETIREMENT PENSION TRUST FUND
ASSETS	
Property Held Under Deferred Compensation Plan	\$ 194,781
LIABILITIES	
Obligation to Employees Under Deferred Compensation Plan	<u>194,781</u>
NET ASSETS	
Held in Trust	\$ <u>-</u>

See notes to financial statements.

BACON MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bacon Memorial District Library (the "Library") became a district library on March 1, 1994 when the School District of the City of Wyandotte and the City of Wyandotte entered into a district library agreement. Beginning July 1, 1994 the Library was funded by a district-wide millage. All financial transactions prior to July 1, 1994 were recorded by the School District of the City of Wyandotte.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by a five-member Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application of the criteria, the Library has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Library's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BACON MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt retirement expenditures and expenditures related to compensated absences and retiree health insurance are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

Additionally, the Library reports the following fund types:

Fiduciary Funds are used to account for assets held by the Library in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State Aid.

Assets, Liabilities and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

BACON MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

All property tax and other trade receivables are shown as net of allowance for uncollectible amounts. Property taxes are assessed on all real and personal property in the City of Wyandotte as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. The final collection date is February 28, after which penalties and interest are assessed and the total uncollected obligation is added to the Wayne County delinquent tax rolls.

Accounts receivable is comprised of the Library's proportionate share of Wayne County's Penal Fine monies.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-50 years
Furniture and equipment	5-20 years
Library books and materials	5-10 years

Compensated Absences - Library employees are granted vacation in varying amounts based on position and length of service. Accumulated unpaid vacation does not accrue past one year. At June 30, 2004, the liability of \$22,776 is accrued in the General Fund.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Library's financial statements.

Accounting Change - Effective July 1, 2003, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.

Government-Wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Library's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include assets totaling \$1,541,310 not previously reported.

BACON MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general fund. All annual appropriations lapse at fiscal year end. Annual operating budgets are adopted each fiscal year through approval of an annual budget ordinance and amended as required for all fund types. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principle basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits libraries to amend their budgets during the year. The last amendment to the budget was adopted on June 14, 2004.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures in the general fund which was in excess of the amount appropriated:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund	\$ 807,354	\$ 816,652	\$ (9,298)

NOTE 3 – CASH AND CASH EQUIVALENTS

The captions on the balance sheet relating to cash and cash equivalents are summarized below by deposit type. These deposits, in varying amounts, are in financial institutions in the County of Wayne in the State of Michigan. At year end, the balances (without recognition of outstanding checks or deposits in transit) were \$795,468, of which \$200,000 was covered by federal depository insurance, and \$595,468 was uninsured.

Cash in Demand Accounts	\$ 70,046
Municipal Sweep Account	26,973
Certificates of Deposit	342,526
Savings Account	<u>352,548</u>
	<u>\$ 792,093</u>

BACON MEMORIAL DISTRICT LIBRARY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2004****NOTE 4 – RECEIVABLES**

Receivables as of year-end for the Library's general fund, are as follows:

	<u>General Fund</u>
Receivables	
Taxes	\$ 43,592
Accounts	<u>44,129</u>
Net Receivables	<u>\$ 87,721</u>

There are no applicable allowances for uncollectible accounts.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the Library's Governmental activities for the current year was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2004</u>
Capital Assets Being Depreciated				
Building, Additions and Improvements	\$ 2,666,628	\$ 97,950	\$ -	\$ 2,764,578
Furniture and Equipment	339,632	-	10,698	328,934
Library Books and Material	<u>1,496,820</u>	<u>76,093</u>	<u>31,603</u>	<u>1,541,310</u>
Total	4,503,080	174,043	42,301	4,634,822
Accumulated Depreciation	<u>(3,160,699)</u>	<u>(228,749)</u>	<u>(42,301)</u>	<u>(3,347,147)</u>
Net Capital Assets Being Depreciated	<u>\$ 1,342,381</u>	<u>\$ (54,706)</u>	<u>\$ -</u>	<u>\$ 1,287,675</u>

NOTE 6 – LITIGATION, CONTINGENCIES AND RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. For the year ended June 30, 2004, the Library purchased commercial insurance policies to satisfy any claims related to general liability, property and casualty, employee health and accident and errors and omissions. The General Fund accounts for all risk-financing activity.

During the year ended June 30, 2004, there was no significant reduction in insurance coverage in any of the risk categories mentioned above. Additionally, the Library had no settlements in excess of insurance coverage during any of the past three fiscal years.

BACON MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 7 – DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The Library participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all full-time employees of the Library hired before March 1, 1994. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103 or is available on the Office of Retirement Services (ORS) Web site <http://www.michigan.gov/ors>.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each library is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate is 12.99 percent for the period July 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Library's contributions to the MPERS plan for the years ended June 30, 2004, 2003, and 2002 were \$34,545, \$32,940 and \$33,117, respectively.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the Library's total contribution to the MPERS plan discussed above.

Deferred Compensation Plan - The Library maintains a plan intended to satisfy the requirements of Section 457 of the Internal Revenue Code. Eligible employees may make elective contributions through salary reduction. Assets of the Plan are the property of the Library until the time when allowable payment of benefits may be made, generally at normal retirement age. The Plan is accounted for in the Fiduciary Fund. Employee contributions to the plan were \$26,139 for the year ended June 30, 2004.

REQUIRED SUPPLEMENTAL INFORMATION

BACON MEMORIAL DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUE				
Property Taxes	\$ 612,000	\$ 629,466	\$ 641,170	\$ 11,704
State Aid	23,245	19,467	28,020	8,553
Single Business Tax	31,440	31,441	31,441	-
Penal Fines	34,000	36,550	44,149	7,599
Library Fines and Fees	23,000	27,353	30,042	2,689
TIFA Shared Revenue	-	50,000	50,000	-
Interest Income	10,000	4,065	10,150	6,085
Miscellaneous	-	6,478	7,410	932
Total Revenue	<u>733,685</u>	<u>804,820</u>	<u>842,382</u>	<u>37,562</u>
EXPENDITURES				
Salaries	356,982	356,982	357,265	(283)
Employee Benefits	130,091	130,091	131,847	(1,756)
Supplies and Materials	116,178	116,178	100,332	15,846
Contracted Services	91,150	91,150	70,573	20,577
Utilities and Telephone	27,050	27,050	23,292	3,758
Business Insurance	13,550	13,550	13,286	264
Capital Outlay	19,500	19,500	14,262	5,238
Capital Maintenance Reserve	340,000	40,000	95,538	(55,538)
Other Expense	12,850	12,853	10,257	2,596
Total Expenditures	<u>1,107,351</u>	<u>807,354</u>	<u>816,652</u>	<u>(9,298)</u>
Excess Revenue (Expenditures)	<u>\$ (373,666)</u>	<u>\$ (2,534)</u>	25,730	<u>\$ 28,264</u>
FUND BALANCE, Beginning of Year			<u>758,146</u>	
FUND BALANCE, End of Year			<u>\$ 783,876</u>	

See notes to financial statements.

A Professional Corporation

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Bacon Memorial
District Library
Wyandotte, MI 48192

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bacon Memorial District Library as of and for the year ended June 30, 2004, which collectively comprise the Bacon Memorial District Library's basic financial statements and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bacon Memorial District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Bacon Memorial District Library in a separate letter dated September 3, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bacon Memorial District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Bacon Memorial District Library in a separate letter dated September 3, 2004.

This report is intended solely for the information and use of the audit committee, management, the Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford & Co.

September 3, 2004